

Message Text

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PAGE 01 SOFIA 00218 301207Z

21

ACTION EUR-12

INFO OCT-01 EB-07 ISO-00 /020 W
----- 103318

R 301049Z JAN 76
FM AMEMBASSY SOFIA
TO SECSTATE WASHDC 755
USDOC WASHDC
INFO AMEMBASSY VIENNA

C O N F I D E N T I A L SOFIA 0218

DEPT FOR EUR/EE
USDOC FOR BEWT
VIENNA FOR EWTDO

E.O. 11652: GDS
TAGS: BEXP, BAGB, BU
SUBJECT: GLOBE WINS SILISTRA CONTRACT

REF: (A) SOFIA 1749; (B) SOFIA 1342

1. INTRODUCTION AND SUMMARY: MASTER PLAN CONTRACT FOR SILISTRA PROJECT, "VERTICALLY INTEGRATED" AGRICULTURAL SCHEME FOR 300,000 ACRE AREA (SEE REFTELS AND PREVIOUS) HAS BEEN WON BY AN AMERICAN FIRM, GLOBE, INC.--A SWIFT SUBSIDIARY. THIS FIRST CONTRACT AWARDED FOR SILISTRA PROJECT IS SMALLER AND MORE LIMITED IN SCOPE THAN ORIGINALLY PROPOSED BY GLOBE, BUT IT DOES GIVE GLOBE AND ITS AMERICAN ASSOCIATES AN INSIDE TRACK IN WINNING FURTHER CONTRACTS IN WHAT COULD BE A HALF-BILLION DOLLAR PROJECT WITH POSSIBLE APPLICABILITY OF EXPERIENCE AND TECHNIQUES IN USSR AND OTHER LARGE AREAS OF WORLD. IF PROJECT STAYS ON TRACK BULGARIAN-US COMMERCIAL RELATIONS WILL HAMPC TCEEN QUANTUM LEAP FORWARD. END SUMMARY.

2. PRESIDENT J.W. NORDSTROM OF GLOBE SERVICES INTERNATIONAL, SUBSIDIARY OF SWIFT OF CHICAGO, SIGNED WITH BULGARIANS ON JANUARY 28 CONTRACT TO DEVELOP
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MASTER PLAN FOR SILISTRA OKRUG (DISTRICT) VERTICALLY-

INTEGRATED AGRICULTURAL PROJECT. CONTRACT CALLS FOR PAYMENTS TO GLOBE OF \$300 THOUSAND FOR PLAN PLUS 100 THOUSAND LEVA FOR LOCAL EXPENSES INCLUDING OFFICES IN SILISTRA CITY AND SOFIA.

3. GLOBE'S ORIGINAL PROPOSAL VALUED AT \$2 MILLION WAS GREATLY SCALED DOWN AT LAST MOMENT IN ORDER TO MAKE BID ACCEPTABLE TO BULGARIANS. BRITISH COMPETITION FROM FIRMS SIMON ENGINEERING AND PIC (PIG IMPROVEMENT COMPANY) HAD SUBMITTED MUCH LOWER BIDS AND, ACCORDING NORDSTROM, FIRST DEPUTY MINISTER FOREIGN TRADE LUKANOV INFORMED HIM GLOBE'S COMPREHENSIVE PROPOSAL COULD NOT RECEIVE APPROVAL UNLESS PRICE RELATIVELY COMPARABLE TO THOSE OF BRITISH FIRMS. GLOBE'S FINAL MASTER PLAN BID THEREFORE EXCLUDES STUDIES ON LAND UTILIZATION AND SURVEYING, SOIL TESTING AND ANALYSIS, AND ALL PLANT DESIGNS.

4. CONTRACT CALLS FOR MASTER PLAN TO BE COMPLETED IN NEXT SIX MONTHS. NORDSTROM ANTICIPATES GLOBE WILL BE SIMULTANEOUSLY NEGOTIATING ON CONTRACTS FOR MANAGEMENT PLAN FOR PROJECTS (\$3-4 MILLION PER YEAR FOR FIVE YEARS OR MORE), TRAINING (FOUR BULGARIANS PER YEAR AT FOUR-YEAR U.S. AGRICULTURAL SCHOOLS FOR EACH OF FIVE YEARS), AND PLANT DESIGN. MEAT PLANTS AND WASTE TREATMENT SYSTEMS WHICH ARE OF GREATEST INTEREST TO SWIFT MUST BE USDA-APPROVED OFFERING POSSIBILITY GLOBE MAY ARRANGE FOR REPURCHASE OF HAMS UNDER SWIFT LABEL.

5. SILISTRA PROJECT IF IT IS COMPLETED AS PRESENTLY PLANNED WILL COST MINIMUM OF \$300 MILLION AND UP TO \$500 MILLION OVER NUMBER OF YEARS. BULGARIANS PLAN THAT THIS 300 THOUSAND ACRE AGRO-INDUSTRIAL COMPLEX WILL INCREASE MEAT PRODUCTION BY 500 PERCENT AND MILK PRODUCTION BY 300 PERCENT OVER NEXT FIVE YEARS. NUMBER OF HOGS AT SILISTRA COMPLEX IN SAME PERIOD WILL INCREASE FROM 110 THOUSAND TO 620 THOUSAND.

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6. COMMENT: DESPITE SMALL SIZE OF THIS INITIAL CONTRACT SIGNED BY GLOBE, IMPLICATIONS FOR U.S. BUSINESS ARE ENORMOUS. MASTER PLAN SPECIFICATIONS WILL BE SO DETAILED AS TO VIRTUALLY DICTATE CERTAIN SUPPLIERS. IN ADDITION TO GLOBE'S POSSIBLE INVOLVEMENT IN THE MEAT PROCESSING PLANT, NORDSTROM STATED NORTHERN THRUST (CHICAGO-BASED LAND MANAGE-

MENT FIRM WHICH BID WITH GLOBE), DEKALB (SUPPLIER OF
WIDE VARIETY OF SEEDS), AND INTERNATIONAL
HARVESTER (FARM IMPLEMENTS) COULD
ALL BE EXPECTED TO BENEFIT. SOME ASPECTS OF PROJECT
MUST OF NECESSITY COME FROM NON-U.S. FIRMS: PIC IS
IN GOOD POSITION TO SUPPLY PIGS WHILE FRANCE IS
PRACTICALLY ONLY SOURCE FOR SHEEP MILKING AND
PROCESSING EQUIPMENT. NONETHELESS, IF PROJECT STAYS
ON TRACK BULGARIAN-U.S. COMMERCIAL RELATIONS WILL
HAVE TAKEN QUANTUM LEAP FORWARD. ONE POSSIBLE
WRINKLE: BRITISH COMMERCIAL COUNSELOR BELIEVES GOB
MAY ALSO SIGN WITH BRITISH FIRM NEXT MONTH AND
LATER SELECT FROM TWO COMPETING MASTER PLANS, A
PROSPECT WE CONSIDER RATHER UNLIKELY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SOFIA00218
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760036-0764
From: SOFIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976014/aaaaacyi.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 SOFIA 1749, 76 SOFIA 1342
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by CollinP0>; APPROVED <28 JUL 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GLOBE WINS SILISTRA CONTRACT
TAGS: BEXP, BU
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006